

Falcon Minerals Ltd

ACN 009 256 535

Company Announcement

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FIRST QUARTER ACTIVITY REPORT TO 30 SEPTEMBER 2003

HIGHLIGHTS

- The identification of Ni-Cu-PGE anomalism in shallow drilling at Collurabbie is highly encouraging and considered to be derived from weathering of primary sulphide (nickel, copper and platinum group elements) mineralisation.
- Second round air core drilling programme scheduled to commence at Collurabbie on 4th November 2003.
- Four Voisey's Bay style nickel targets identified within the Saxby Project to be drilled.
- TEM electromagnetics detects an anomaly 3.5km in length and between 200m to 450m wide indicating a prospective zone for disseminated nickel sulphides at Black Hills.
- Geophysical modelling identifies a Ridgeway style gold target to be drilled within the Cargo joint venture area.
- Calcrete sampling results confirms the Paltrubie and Acraman projects prospective for structurally controlled gold deposits in addition to Olympic Dam style mineralisation.

Collurabbie Joint Venture, WA – Nickel, Copper and PGE's (FCN 100%, WMC earning 70%)

WMC Resources Ltd (WMC) reported in their June and September 2003 Quarterly's, in respect to their area adjacently north west of the Falcon Collurabbie nickel project, that combined nickel, copper and PGE mineralisation has been confirmed over a strike length of approximately seven kilometres and follow up drilling has commenced.

Falcon Minerals is in joint venture with WMC on adjacent ground containing the south eastern extension of two potentially nickel bearing ultra mafic horizons each extending over 6km in strike.

These horizons were the subject of a 79 hole aircore drilling program by WMC from the 6-26 July 2003 designed to test the weathered layer above the ultramafics and did not penetrate fresh rock where the target nickel sulphides may exist.

The recent aircore drilling was by design only looking for nickel, copper and platinum group elements anomalism which would be the subject of follow up drilling programs. The following Table showing elevated nickel, copper and PGE grades have been made available by WMC for the 6 most significant holes.

Hole ID	Assays			Start Depth	AMG Coordinates
CLAC50	26m@ 0.73% Ni	0.08%Cu	0.03g/t Pt+Pd	From 16m	7027100N 421305E
CLAC21	28m@ 0.61% Ni	0.03%Cu	0.06g/t Pt+Pd	From 14m	7027500N 421300E
CLAC14	14m@ 0.57% Ni	0.19%Cu	0.43g/t Pt+Pd	From 14m	7029150N 420895E
CLAC37	16m@ 0.18% Ni	0.11%Cu	0.14g/t Pt+Pd	From 48m	7022800N 421645E
CLAC61	4m@ 0.23% Ni	0.16%Cu	0.30g/t Pt+Pd	From 32m	7028000N 421590E
CLAC63	2m @ 0.23% Ni	0.04%Cu	0.40g/t Pt+Pd	From 62m	7022800N 421870E

Table 1 – Significant results Aircore Assays

WMC have interpreted anomalous results from holes CLAC14, 37, 61 and 63 to be derived from the weathering of primary nickel, copper and platinum group elements sulphide mineralisation.

WMC have advised that a further 129 hole (drilled to refusal) regolith anomalism drilling program is scheduled to commence on 4th November 2003. This drilling program will see the commencement of FCN funding its 30% share of exploration costs. This program will close drill line spacing on regional targeted areas down to only 400 metres apart or greater indicating the early exploration nature of this second program.

The discovery of economic Ni-Cu-PGE mineralisation is the subject of ongoing exploration.

Saxby, QLD – Nickel, Copper and PGE's (FCN 100%)

Three deep diamond holes commencing at approximately 400m depth and spaced 1km apart, shown on the attached Figure 1, were drilled in 1995. Of only three holes drilled, two returned assays of nickel and copper sulphide intersections with extensive iron sulphides;

Diamond Hole 1 10metres at 0.25% nickel and 0.18% copper as sulphides.

Diamond Hole 5 6m @ 0.12% nickel and 0.15% copper as sulphides.

Assay results of the third hole are not available but it was strongly sulphide bearing as well with some nickel and copper sulphides recorded in drill logging as magmatic pentlandite and chalcopyrite.

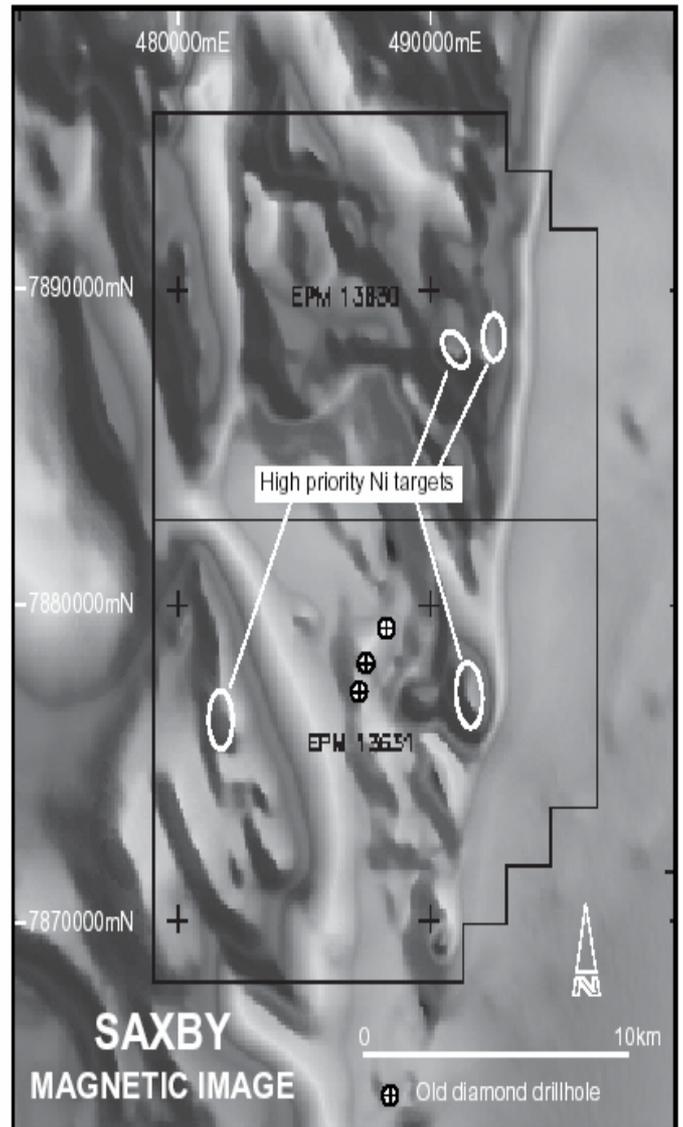
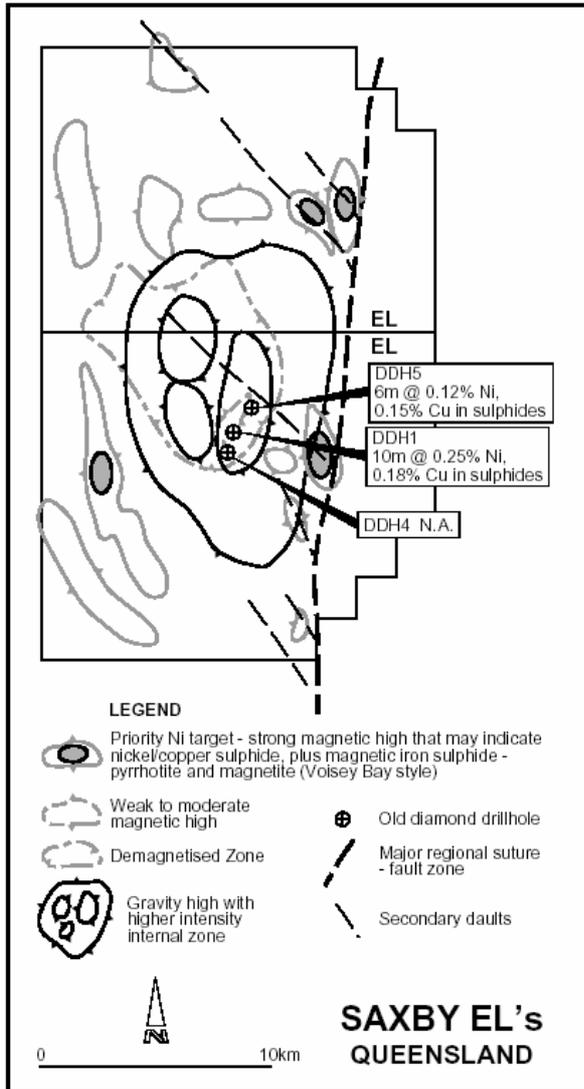
The tenement contains some large Voisey's Bay like magnetic targets, mostly commencing 4km east of the known nickel sulphide bearing zones. The remarkable extent and thickness of pyrrhotite iron sulphides in olivine bearing mafic rocks recorded in all three holes commenced at about 400m and finished at just over 700m. These holes intersected numerous zones of up to 30% sulphides. These three diamond holes that are 1km or more apart, renders Saxby a very large intrusive sulphide rich system.

A deeply penetrating magneto telluric survey reported in 1995 (an electromagnetic technique) detected a large and discrete off hole conductor between holes DDH 001 and DDH 004 at 650m depth. As the technology was then new and untested it was considered unreliable and no further drilling took place.

Magnetics and gravity responses indicate the extent of the sulphide bearing system overall is likely to be over 5km in width (based on geophysical and limited drilling evidence). Four high priority magnetic targets that have been identified (shown in Figure 1) are considered potentially capable of hosting nickel sulphide (plus copper and PGEs) that could be more like the extensive Voisey's Bay deposit of New Foundland or Norilsk of the Russian High Arctic.

Native title land access agreement for a deep drilling program is being expedited.

Figure 1



Black Hills, WA – Nickel, Copper and Palladium

(FCN 100%)

The Black Hill project in South Australia that is soon to be drilled, covers an 8km wide and oval shaped intrusive mafic to ultramafic body under partial sand cover. Between 1975 and 1977 this body was deep diamond drilled to test it at depth and these holes returned short intercepts of low grade nickel and copper sulphides along with anomalous platinum group elements.

In the western part of the intrusive, a 4km long dominant magnetic anomaly rims the central core and may represent a source conduit zone for outflowing ultramafic and mafic magma that can rapidly deposit sulphides as the magma flows from the vent areas.

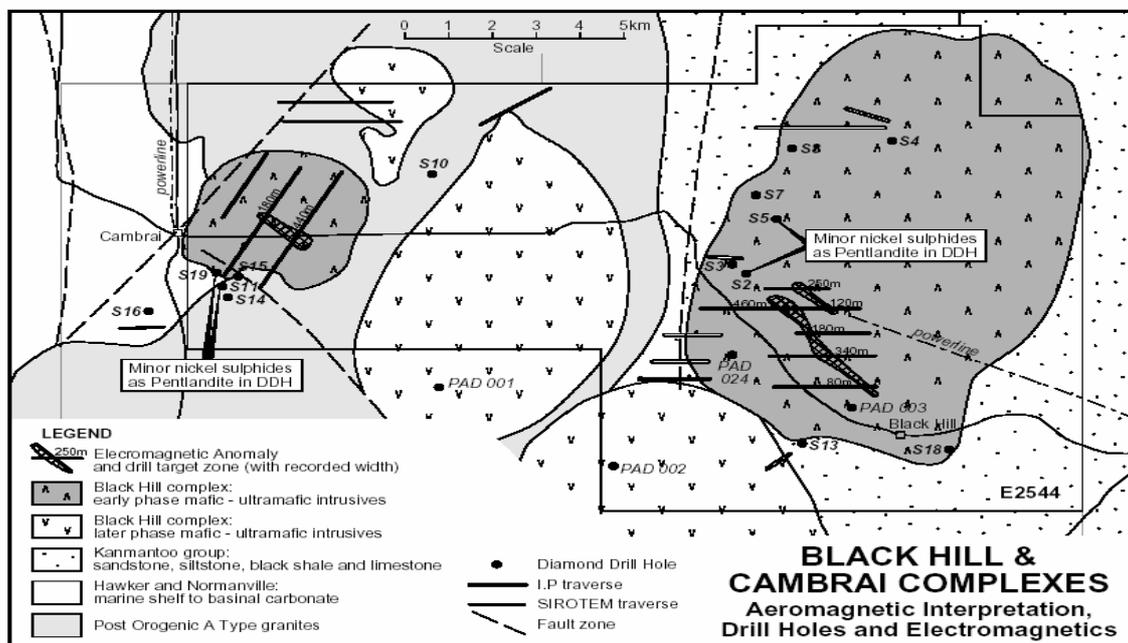
Five lines of TEM electromagnetics, each 2km long and 700m between lines were surveyed over the magnetic anomaly and each line picked up a distinct anomaly in all channels that may indicate disseminated iron and possibly nickel sulphides. The depth to basement beneath sand and soil is about 70m. As they have not previously been drilled the anomaly cause remains unknown.

The TEM anomaly is between 200m and 450m wide over the 3.5km of surveyed strike at Black Hill.

Another smaller TEM anomaly over 1km strike length with widths of 200m and 400m was detected close to a similar magnetic anomaly in a sister mafic to ultramafic intrusion at Cambrai, several km to the west of Black Hill. A few past deep diamond holes on the edge of that intrusion also intersected low grade nickel sulphides.

Falcon is currently securing a rig to drill these untested TEM anomalies in its exploration for large disseminated nickel sulphide systems at Black Hill (see Figure 2).

Figure 2



Duketon and North Duketon Joint Ventures, WA – Gold, and Nickel

(FCN 20% free carried, Newmont 80% contributing)

The Duketon Project and North Duketon Project are located 50km's and adjacently south respectively of the Collurabbie Project.

Given the recent discovery of nickel sulphides further to the North by WMC, the twenty kilometres of ultramafics interpreted by Falcon to exist in this ground is regarded as having potential for nickel sulphides and PGE's.

Cargo Project, NSW – Gold, and Copper

(FCN earning 70%, Golden Cross 100%)

The first percussion drilling program in March and April 2003 at the Cargo joint venture area returned a number of significant but sub economic low grade gold intercepts and a few but narrow higher grade gold intercepts.

Geophysical modelling of the Cargo joint venture area over other priority targets under cover identified at least two Ridgeway style targets that are being more closely assessed for drilling. One such target near the historic but small scale Burley Jacky mine, where modest past mine production recorded grades of about 30% copper and 12g/t gold.

Detailed geophysical modelling of these targets is near completion for precise targeting for deep drilling.

OLYMPIC DAM STYLE EXPLORATION PROJECTS

Coonamble South – New South Wales

(FCN 100%)

This project with sedimentary cover that is expected to be around 150m deep over basement rocks, has seen no past drilling to basement in the area and shows a significant anomaly that is similar to the other targets identified by Falcon in its Olympic Dam Initiative. A recent gravity survey conducted over the project has confirmed a large target that will require drilling.

Sparse readings from gravity data points has not been able to provide near surface definition of the target. An infill gravity survey is being implemented to better define the target prior to drilling.

Shepparton Project, Victoria

(FCN 100%)

At Shepparton, a completed gravity survey by Falcon confirmed and defined this target ready for drilling under soil over an area of 0.5km x 3km. It has some characteristics of both the volcanogenic gold/copper and Olympic Dam style mineralisation due to the presence of anomalous copper, gold, fluorite and hematite in outcrop along strike. As basement rocks are relatively shallow at approximately 100m under soil and sedimentary cover, drilling is planned for later next year. Approvals with authorities and landowners for drilling access are progressing.

Geophysical modelling has shown that an infill gravity survey to better define the target for drilling will need to be completed.

Palthrubie and Bond Hill – South Australia

(FCN 100%)

These project areas consist of two EL's in central South Australia's Gawler Craton.

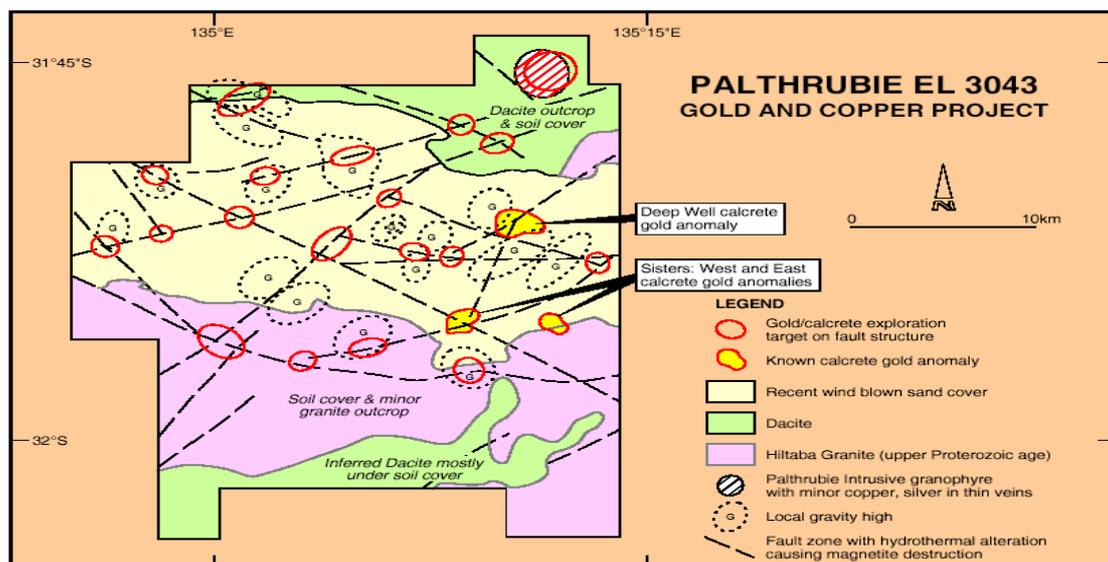
Research has shown that areas have mineralising fluids consistent with Olympic Dam style mineralisation including evidence of sericite, chlorite, hematite, fluorite, barite, up to 0.95% copper from past rock chip sampling.

Palthrubie lies between two gold discoveries at Tunkilla and at Barnes and is inside the recently recognized Gold Province of Ferris and Schartz 2003. This gold corridor extends from the Barnes region, through Palthrubie and north to Tarcoola.

Other areas within the Palthrubie tenement have large fault zones with magnetite destruction that indicate exploration potential for structurally emplaced gold deposits under variable sand and soil cover. The 1990s calcrete sampling over parts of the 900km² tenure found three spatially large gold anomalies within these tenements that were not drilled beneath the soil overburden to basement interface.

Within Palthrubie, calcrete gold anomalies were found at Deep Well, Sisters West and Sisters East (See Figure 3). These are large area anomalies and the most advanced at Deep Well is 500m wide at the 6ppb gold level. The more sampled Barnes calcrete anomaly of Adelaide Resources at the lower 5ppb gold contour is 500m to about 1km wide so they are of similar spatial magnitude.

Figure 3



Drilling to the start of bedrock using air core and RAB at Deep Well (38 widely spaced) holes detected many strongly anomalous gold results up to 140ppb but no deeper drilling was undertaken. At Sisters West (9 holes) some sulphide as fine pyrite in a hydro thermally altered granite was intersected.

These areas present deeper drill targets however there are about a dozen or so other structural targets in the tenements that have not been effectively calcrete sampled. This was due to sandy soil cover obscuring the near surface gold sensitive calcrete layers used to home in on subsurface

gold mineralisation. While the past shallow air core drilling sections are assessed for follow up work, there are other structural corridors showing hydrothermal alteration that are being shallowly drilled by Falcon to define the extent of gold anomalism in untested areas. Some of the most attractive hydrothermal alteration zones defined by corridors of low magnetics were not sampled during the 1990s and are expected to show up some new gold anomalous areas.

The Paltrubie project is expanding in its complexity of targets that include large calcrete gold anomalies, a distinct 2km diameter copper and silver anomalous intrusive and a number of smaller gravity anomalies associated with a larger one and these could represent Olympic Dam and, or Prominent Hill type intrusive systems across its 900km² area.

A calcrete sampling programme commenced over this project in October 2003.

Naracoorte – South Australia

(FCN 100%)

A gravity survey completed by Falcon over the Naracoorte project confirmed and defined a large intrusive target for drilling. The target is within rocks similar to the Mt Read Volcanics of western Tasmania that are younger than the Proterozoic granitic rocks at Paltrubie and Bond Hill.

The project holds potential for not only older Olympic Dam but also for younger volcanogenic gold/copper and some other base metal styles of mineralisation.

Geophysical modelling to further define the target for drilling is presently being carried out.

Keith – South Australia

(FCN 100%)

A gravity survey earlier this year confirmed a large intrusive target

Geophysical modelling to further define the target for has indicated the need to collect some additional field geophysical data prior to drilling.

Racehorse and Mt McDonald Projects

(FCN 100%)

Ground gravity surveys conducted by Falcon identified a large intrusive target within each project with potential for gold/copper mineralisation. Geophysical modelling of targets is currently being completed prior to drilling.

These projects are at the southern end of the Drummond Basin within the geological province that contains some notable discoveries to its north such as the historic Peak Downs volcanogenic massive sulphide copper mine and the Pajingo gold mine further north. Land access approvals for drilling are progressing.

The information in this report as it relates to mineralisation is based on information compiled by Mr R Muskett who is a geologist of the company and a Competent Person as described in Appendix 5A to the ASX Listing Rules. The report accurately reflects the information compiled by Mr R Muskett.

Yours faithfully

Richard Diermajer
Director

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97.

Name of entity

Falcon Minerals Limited

ACN or ARBN

009 256 535

Quarter ended ("current quarter")

30 September 2003

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Sales	–	–
1.2 Payments for		
(a) exploration and evaluation	(119)	(119)
(b) development	–	–
(c) production	–	–
(d) administration	(91)	(91)
1.3 Refunds received – EL applications & other	–	–
1.4 Interest and other items of a similar nature received	14	14
1.5 Interest and other costs of finance paid	–	–
1.6 Income taxes paid	–	–
1.7 Aggregate cashflows from disposals of entities net of cash received	–	–
Net Operating Cash Flows	(196)	(196)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	–	–
(b)equity investments	–	–
(c) other fixed assets	–	–
1.9 Proceeds from sale of:		
(a)prospects	–	–
(b)equity investments	–	–
(c)other fixed assets	–	–
1.10 Loans to other entities	–	–
1.11 Loans from other entities	–	–
1.12 Other (provide details if material)	–	–
Net Investing cash flows	–	–
1.13 Total operating and investing cash flows (carried forward)	(196)	(196)

1.13	Total operating and investing cash flows (carried forward)	(196)	(196)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material) capital raising costs		
Net financing cash flows		-	-
Net increase (decrease) in cash held		(196)	(196)
1.20	Cash at beginning of quarter/year to date	1,356	1,356
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,160	1,160

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	45
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments for management and technical services

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 29/8/03 the company issued 1 million shares as consideration for some interests in some mineral tenements.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	–	–
3.2 Credit standby arrangements	–	–

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	–
Total	150

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	10	95
5.2 Deposits at call	1,150	1,262
5.3 Bank overdraft	–	–
5.4 Other (provide details)	–	–
Total: cash at end of quarter (item 1.22)	1,160	1,356

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EL 70/2363 EL 3033	Slee Road Pimba	100% 95%	Nil Nil
6.2 Interests in mining tenements acquired or increased	No change			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Number issued	Number quoted	Par value (cents)	Paid-up value (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Issued during quarter				
7.3 +Ordinary securities	100,277,043	100,277,043		Fully paid
7.4 Issued during quarter	1,000,000	1,000,000		Fully paid
7.5 +Convertible debt securities <i>(description and conversion factor)</i>				
7.6 Issued during quarter				
7.7 Options <i>(description and conversion factor)</i>	4,300,000		<i>Exercise price 20c</i>	<i>Expiry date 30 November 2003</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:
(Company Secretary)

Date: 31 October 2003

Print name: Paul Fromson

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 *The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.*
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be compiled with

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